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COUNTRY Indonesia

SUBJECT Gold Smuggling into North Sumatra

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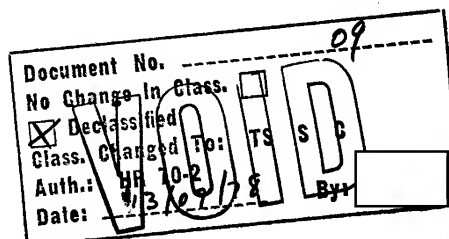
25X1 SOURCE

1. Prior to July 1950, gold was smuggled from North Sumatra, principally to Penang and Singapore. Much of this outward flow was accounted for by Chinese merchants unable to obtain foreign exchange in Indonesia, who used gold to pay for goods purchased in Penang and Singapore. After July the flow was reversed and gold was smuggled into North Sumatra. The gold originates in Hong Kong and is shipped to Singapore. It is brought to North Sumatra, largely in ton-kangs entering through Belawan and several of the ports in Atjeh. The gold is brought in in small packages weighing one-half or one kilogram. No gold is known to come from Thailand.
2. The gold traffic is strictly commercial business and has no connection with the political situation. It is unlikely that Chinese Communist activities in North Sumatra are financed to any appreciable degree by this smuggled gold. *
3. Gold prices in North Sumatra reached an all-time high of R 48.00/gram (buying) at the time of the devaluation of the pound Sterling. When the Indonesian guilder was devalued in March 1950, gold had dropped to R 45.00/gram (buying). Since then there has been a steady gradual decline in price. As of 21 January 1951 the price was R 27.50/gram (buying) and R 27.75/gram (selling). All of these prices are for 24 carat gold.

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* 25X1 Comment. Another source has reported that the gold smuggled into North Sumatra is used to finance Communist activity.

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letter of 16 October 1978 from the
Director of Central Intelligence to the
Archivist of the United States.
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